

Lessors of tangible personal property under true leases in Illinois are deemed end users of the property to be leased. See 86 Ill. Adm. Code 130.2010. (This is a GIL).

August 4, 2004

Dear Xxxxx:

This letter is in response to your letter dated January 26, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are a STATE based company and our business is engaged in the rental of furniture for conventions and shows. Illinois is one of the States that we deliver furniture to and we are registered to conduct business there.

We have been collecting and remitting sales tax up until December 31, 2003 at 8.75%.

In January, one of our customers said that the rate should be 6%, so we called the Illinois Department of Revenue and we were informed that since our company do not sell but just rent, we are not suppose to charge tax.

We would appreciate it very much if you could shed some light to this confusion.

Hoping for your prompt reply.

Thank you.

For general information purposes please refer to 86 Ill. Adm. Code Section 130.2010(b), the Department's regulation that covers the taxation of persons who rent or lease the use of tangible

personal property to others. Persons who, under bona fide agreements, rent or lease the use of furniture to others are, to this extent, not engaged in the business of selling tangible personal property to purchasers for use or consumption within the meaning of the Retailers' Occupation Tax Act and are not required to remit Retailer's Occupation Tax measured from said gross receipts from such transactions. However, such lessors are users of the property and are subject to the Use Tax when purchasing tangible personal property which they rent or lease to others. See 86 Ill. Adm. Code 130.2010.

The State of Illinois taxes leases differently than the majority of other states for Retailers' Occupation Tax and Use Tax purposes. Lessors of tangible personal property under true leases in Illinois are deemed end users of the property to be leased. See 86 Ill. Adm. Code 130.2010. As end users of tangible personal property located in Illinois, lessors owe Use Tax on their cost price of such property. The State of Illinois imposes no tax on rental receipts. Consequently, lessees incur no tax liability. See 86 Ill. Adm. Code 150.305(e).

Use Tax is imposed at the rate of 6.25% of the selling price of the tangible personal property involved.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess
Associate Counsel

EEB:msk